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The Honourable Mark Eyking

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● (1100)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everyone. Welcome to the Standing Committee on International Trade.

There was some big news over the weekend, as everybody knows. A lot of Canadians are breathing a sigh of relief right now.

Today, pursuant to a motion that we had, we're doing a study on the impact of tariffs on Canadian businesses. As we agreed, today we have witnesses with us. We're going to dialogue with our witnesses for an hour, and then we're going to go in camera on some future business.

Without further ado, welcome to our witnesses. Thank you for spending your precious time away from your businesses and organizations to be with us here today.

We have three groups: GGS Structures, Essar Steel Algoma and Tenaris. We usually try to keep it under five minutes for presentations so we can get lots of dialogue with the MPs. I always try to get whoever's on video conference to go first, in case we get a technical problem.

Ms. Coulter, you can give us your presentation, then we're going to go to the other witnesses, and then we'll have dialogue with MPs.

Go ahead.

Ms. Leigh Coulter (President, GGS Structures Inc.): Good morning. Thank you for inviting me to speak to you today on a topic that is of tremendous importance to our country's economic health and one that's very important to me and my employees.

I am the president and majority shareholder of GGS Structures Inc. We directly employ 80 people, most of whom live in the Niagara region. Additionally, we create jobs for construction contractors, heating installers and numerous Canadian companies that provide ancillary products that are required when new greenhouses are built, such as irrigation systems and environmental control computers.

From our factory in Ontario, we manufacture specialty prefabricated buildings that are designed to provide environments for customers to grow. Our product lines include greenhouses for agriculture, research facilities, fabric-covered buildings for riding arenas, livestock housing, salt dome storage, and recreational centres. While the majority of our customers are in agriculture, we also supply large multinational retailers and government agencies.

Almost 50% of our sales come from exports and the vast majority of that is to the U.S. Like many companies in the world today, we do business buying and selling all over the globe. Raw material and some finished goods that cross Canadian borders are further processed at GGS and then shipped all over Canada, to the U.S. and overseas. Our products are primarily made from steel and aluminum, with steel and aluminum purchases accounting for more than half of our total material costs.

Today, you have asked me to address the impact of the U.S. steel and aluminum tariffs and our countermeasures. This is what has happened to us this year.

First, when the U.S. government announced tariffs on several foreign steel suppliers, Canada responded in kind, by matching the U.S. tariffs for those countries, so that cheap steel would not divert to Canada, with the hope that would keep us in good standing with the ongoing NAFTA negotiations. The result was that Canadian steel suppliers increased their prices to benefit from their competitors sudden cost increases and the shortfall in supply. My Canadian tubing suppliers were not able to absorb the cost increases or get adequate local supply, so they raised their price to us. The price of steel at GGS has gone up four times this year, for a total 28% increase since January, and aluminum is up 9% in turn.

As my costs increased, so did the price our customers paid for their greenhouses, dairy barns and storage buildings. In turn, they increased the price of their goods, and on and on it went, as everyday Canadians have found that their food bills have increased significantly.

The Canadian greenhouse produce growers are under tremendous pressure to absorb cost increases, despite already low margins. They are concerned that continued tariffs would result in investment leakage to the U.S., which potentially could create a ripple effect that could threaten food security and sovereignty. Meanwhile, our European greenhouse manufacturing competitors are able to import their greenhouses to both Canada and the U.S., without the additional tariffs, making their products more affordable, as compared to ours.

Second, when the U.S. government included Canadian steel and aluminum in their tariffs, Canada responded in turn, by putting tariffs on U.S. steel and aluminum, as well as some other products. Due to the low Canadian dollar and our strong domestic supplier relationships, at GGS, we have been buying the majority of our steel and aluminum extrusions from Canadian manufacturers anyway, so we did not see a major impact from this.

However, for certain products where suppliers did have U.S. supply chains, we also saw increases over the summer. Furthermore, the tariffs on insecticides, fungicides and herbicides impacted many of our Canadian customers, who are smaller commercial growers, and this may affect their profitability and ability to expand their operations, which is a potential risk to my domestic market.

● (1105)

We have a new NAFTA, the USMCA. I have not yet researched the specifics of this agreement, though I understand that the steel and aluminum tariffs remain in place for the moment. Going forward, I would like our government to work diligently to remove the tariffs, and under no circumstances should they be expanded to a global supply.

The response to the U.S. tactics against Canadian steel and aluminum has been an appropriate countermeasure, limiting the response to U.S. goods. Primary steel producers will lobby to increase tariffs for their own self-interests, enabling them to increase prices further.

I petition you not to give in to this mentality, as the ripple effect of global tariffs would dramatically increase costs throughout the entire production chain, a cost increase that will weigh heavily on Canadian consumers in the end.

I hope my comments provide helpful context as the government makes determinations on how to move forward.

Thank you, and I look forward to the discussion.

● (1110)

The Chair: Thank you, Ms. Coulter. I'm very familiar with your product. I've built many greenhouses in Nova Scotia with your product, and they're all still standing. We're very familiar with your product.

We're going to move to our next group of witnesses from Essar Steel Algoma Incorporated. We have Kalyan Ghosh and Laura Devoni. You have the floor for five minutes.

Mr. Kalyan Ghosh (President and Chief Executive Officer, Essar Steel Algoma Inc.): Thank you.

Mr. Chairman, members of the committee, thank you for the invitation to appear here today to speak about the impact of U.S. tariffs on Canadian businesses, companies and workers.

Today, I represent over 3,000 employees who work at Algoma in Sault Ste. Marie, Ontario. Algoma has a long history in the city of Sault Ste. Marie as an integrated, primary steel producer. During the First World War, Algoma produced steel for artillery shells used by Canada and our allies. We were one of the largest steel producers in Canada during the Second World War. Today, Algoma produces sheet steel and plate for use in the automotive, energy and infrastructure and manufacturing industries. We are the only domestic plate manufacturer in the country, and our products have formed an integral part of major infrastructure projects from coast to coast for over a century.

Algoma steel plate is being used today to construct the Champlain Bridge in Montreal. We also play a significant role in the Soo as both an economic engine and a trusted community partner. We employ over 3,000 skilled workers and support a further 10,000 indirect jobs in the Soo. Our footprint represents over 40% of the city's GDP. We also support over 6,000 pensioners, the majority of whom reside in the region. Our payroll sits at around $300 million and we spend a further $1.2 billion annually on goods and services, of which about $120 million is spent with over 600 local suppliers.

U.S. President Donald Trump's announcement of 25% import tariffs on Canadian steel under section 232 of the Trade Expansion Act has had a significant impact on Algoma's exports to the U.S. In the short period of time these tariffs have been in place, we have seen a drop in exports to key states where we sell the majority of our products, such as Minnesota, Michigan, Illinois and others. The U.S. administration's actions are completely unjustified and are having an extremely damaging impact on the overall health of the Canadian steel industry and pose a significant threat to the long-term growth of companies like Algoma.

Canada and the U.S. have always enjoyed a balanced and complementary trade relationship in steel, founded on fair market principles embraced by both countries. In 2017, over 10 million tonnes of steel with a market value of over $12 billion was traded between our two countries. This is fair, equal and balanced on both sides of the border. Despite the challenge our industry is facing, we would like to applaud this government for acting swiftly and retaliating with their own set of tariffs on the U.S. and also for considering a safeguard process here in Canada. These measures provided vital life blood to our industry and have allowed us to sustain our businesses in the short term.

In the long run, however, the U.S. remains a critical export market for Canadian steel products, and we may find ourselves to be in a much more difficult situation in the near future as global prices on steel products are forecasted to drop significantly before they eventually stabilize. With that being said, we are encouraged with the new USMCA and the protection on auto tariffs it contains.

To conclude, Algoma wishes to continue to work closely with the Canadian government to secure a complete exclusion from section 232 for Canada. This is our number one priority. However, in the event that such an exclusion proves impossible to negotiate, we would recommend that the government explore a quota-based system in exchange for tariff exemption. This would not be an ideal scenario, but President Trump has indicated in the past and did so again yesterday, that this would be his preferred approach. In recent months, we have seen Argentina, Brazil and South Korea all accept quotas and limit their volumes of exports to the U.S. in exchange for tariff exemptions. It is our belief that a product-wise, company-based quota on steel should reflect historical exports to the U.S. It is imperative that the government manages the quota to avoid a rush to the border and negative market impacts. This formula has been used effectively by Canada for softwood lumber in the past, based on previous years' exports by producers.

Additionally, if Canada is able to negotiate a quota-based system similar to the model used for autos in USMCA, it will still provide sufficient growth opportunities.

Thank you very much for your time.

● (1115)

I'll be glad to take any questions.

The Chair: Thank you, sir, you're right on time.

We're going to go to Tenaris, and we have Mr. McHattie. Welcome again. You were here in the spring and you gave a wonderful presentation, so thanks for coming again. You have the floor.

Mr. David McHattie (Vice-President, Institutional Relations Canada, Tenaris): Thank you for allowing me the opportunity to contribute to your study. It's an important one at a critical time in this industry for steelmakers, steel users and steel buyers.

I am responsible for institutional relations at Tenaris. I've worked at the company since the very beginning in Canada, almost 20 years now. Beyond Tenaris, I have responsibilities as vice-chair of the Canadian Manufacturers and Exporters. I'm on the board of the Petroleum Services Association of Canada and chair of the Canadian Steel Producers Association's trade and public policy committee.

I'd like to give you some context about our company. We are one of the top steel companies in the world by market capitalization, and we're also one of the top oil field service companies in the world. We're a leader in steel pipe manufacturing and oil field services for energy development.

Energy development in Canada is an important market. We're the fourth-largest market in the world, and we're now the largest open market in the world. This isn't a market where foreign competitors are just going to send a little bit here or there. This is the next largest available market after the United States, so we're particularly vulnerable.

The products we manufacture are used for oil and gas extraction—this is casing and tubing—also line pipe that transports hydrocarbons from the well to processing facilities, and inside processing facilities like refineries, power generation and, very topical this week, LNG terminals.

Tenaris has three manufacturing facilities in Canada, and nine service locations.

Trade policy is one of the most important drivers of investment. I'd like to specifically address three critical issues.

We fully support the USMCA, and the combined efforts from all parties to obtain a solution, and support the ongoing work to obtain a full exclusion from the section 232 tariffs. Steel now remains the only outstanding issue in getting NAFTA back and working effectively as USMCA.

I'd like to discuss the safeguard investigation that is critical, with or without a section 232 resolution for Canada in the United States. I want to dispel some myths about a safeguard—that it is a remedy. It is a stabilizer. It's not an act of protectionism. We will grow to serve Canada's needs as market opportunities present themselves.

First is the USMCA. Thank you to all the parties that worked on this. This should allow the USMCA countries to now work together to tackle the most important issue in the steel industry today, and that is global overcapacity. We need to work on this. Governments have been coming together in all forms discussing it, but still with no tangible action.

We are in a very vulnerable position at this time. Chinese steel has an overcapacity of over 400 million metric tons, which is almost 30 times the size of the Canadian market. It also has an overcapacity in products made of steel, like the high value-added products used for energy development that we manufacture here in Canada.

To complete the work and truly align North America to take on the world, the last remaining aspect to address is finding a fair solution to the section 232 tariffs being applied to Canada. This should be one of the Canadian government's most important priorities.

We support the objective of demonstrating that a complete exclusion for Canada is deserving; however, inside the side letters on the USMCA may be a possible path to solution. The potential section 232 on autos, where 2.6 million units of cars are committed to versus the amount today, might provide a solution. I believe it's about a 40% potential growth opportunity; however, this is something that should be addressed. We as a leader in the steel industry are open to discuss with the Canadian government what strategies may or may not work for Canadian employees in this industry and the communities where we operate.

● (1120)

The devil is in the details, and we're here to help.

The Chair: Can you please wrap up if you can?

Go ahead.

Mr. David McHattie: It will be very quick now.

Secondly, the safeguard is to defend Canadian jobs and it's urgent now.

In the nine months ending June 30, we have seen a 70% increase in the imports from non-USMCA destinations, 70% at a price that is significantly below the USMCA imports to Canada. This is a concern for us.

I'd like to be clear that a safeguard is necessary even if there is a solution for Canada on the section 232 tariffs. There are details I'm willing to discuss about how a safeguard mechanism needs to be structured to be effective; we have some views.

I'll make a final point that I hope reiterates that this is a stabilizing mechanism and will not result in a shortage of supply or a spike in prices. What a safeguard mechanism will do is bring back imports to the level that existed before there was a surge in imports. Bringing them back to that level allows the Canadian industry and the people who we employ to be back to work. There will be no shortage of supply. As an industry of energy tubulars today, we're at 50%. There will be no price spike in the market, because we're just bringing things back to where they were before.

I reiterate that we are thankful for the work done so far and we're looking forward to seeing an investigation on a safeguard so that we can have the facts evaluated and get our people in the communities across the country back to work.

Thank you.

The Chair: Thank you, sir.

Before we start the dialogue with the MPs, I welcome two visiting MPs: Mr. Albrecht from Ontario and Madame Boucher from Quebec.

For the questioning, I'm going to try to get all the MPs in. I'm going to keep it strictly to five minutes. So that we can get through this and everybody can have their five minutes, try not to load a question up at the end.

Without further ado, Mr. Carrie, you are starting off for the Conservative Party. Go ahead, sir.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I really want to thank the witnesses for being here today. Some of you were here earlier in the spring and it really is an opportunity for us to get an idea of what the effect has been on the ground.

The chair said he heard a sigh of relief when the deal was announced this week, but I didn't hear that same sigh. Maybe it was a bit of a sucking sound of concern about jobs leaving the country if we don't get things in order.

I want to start off with Ms. Coulter.

It seems to be quite clear that you're just seeing increases in prices. Is there anything in the agreement this week that you see is there for you, that has made this a better situation for your company?

When we were here in the spring, we all thought that if we got an agreement with the United States, these tariffs would go away. What has happened is that the government has failed to even have a timeline where these tariffs can go away. Some of the companies we talked to earlier had a very short timeline in terms of when it was going to affect them perhaps with job losses and things such as that.

Can you comment on whether there is anything that is going to help your competitiveness in the market today with the agreement earlier this week?

Ms. Leigh Coulter: First, unfortunately, I really haven't had the time to get into all the details on the agreement, but the major concern that I had was the steel and aluminum tariffs, which are still there.

At this moment, it hasn't affected our sales to the U.S. We don't sell the raw materials, so we're not under the tariff codes right now that are being hit. However, it is of significant concern that it's still there, and as you said, there's no timeline for it to end.

That's what I feel we need to focus on now.

● (1125)

Mr. Colin Carrie: You also mentioned your suppliers. You said some of the costs for steel were up 28%, and I think aluminum was up 8%, and there is this cascade of food bills going up.

With your suppliers and the smaller players in the industry, the government actually set out a plan where there was going to be some type of relief. Have you heard of any of this relief trickling down, especially to the small suppliers and the small industry players?

Ms. Leigh Coulter: I have not.

Mr. Colin Carrie: Okay.

The next question is for Algoma. Again, with this agreement we were hoping to see Canada get something. It seems we've given things away, and the government is saying this is a great deal based on what we didn't have to give away, whereas the Americans—I think it was Larry Kudlow—said Canada gave graciously. It seems we gave and didn't get a lot back.

One of the things we thought...and the Buy American part of the agreement is still in. You mentioned that your company is very much interested in infrastructure and such things. Did you expect there would be some movement in the Buy American part of the agreement? Do you see anything in the agreement this week that allows you to be more competitive?

Mr. Kalyan Ghosh: First of all, let me say that I don't have a real understanding of the agreement. We do supply some percentage of our steel to the auto industry, and from what I could understand from the part of the letter on the auto industry, there is an expansion scope, which would definitely benefit Algoma.

Regarding Buy American, yes, that would have helped the steel industry overall, but I think most important here is that we either get into a tariff-free situation or a quota-based system, which also would work for us.

Mr. Colin Carrie: When you're talking about free trade agreements, it's usually a tariff-free situation. I think there was a lot of disappointment that these section 232 tariffs are remaining, and the concern is that there's no timeline. The Americans could maintain these tariffs for a significant amount of time.

I was wondering if you had any insight on some of the smaller players, maybe players that you work with. There was a package put out by the government to give some relief. Has Algoma been able to access some of this? The big players seem to have some access, but have you heard anything from the smaller businesses?

The Chair: Make it a very short answer.

Mr. Kalyan Ghosh: We are thankful to the government for the $250-million SIF announcement, and Algoma has put in the intent to apply and will be applying in the next few days to make the steel plant more sustainable in the future.

The Chair: Thank you, sir.

We're going to move to the Liberals.

Mr. Sheehan, you have the floor.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to all our presenters, and thank you for your continued contributions to strengthening Canada's response to dumped steel. We've been at this for years now, and you've given us your perspective time and again, either at the steel committee or at this committee or others. I think we're in a much better place than we were 10 years ago.

My question is for David. Could you describe how critical some of the trade remedy systems that have been put in place over the last two or three years are today in fighting against dumped steel and strengthening our system? Could you also talk about some of the investments we have made, including investments to the CBSA?

Then from there, jump to why we continue to need—and I picked up on your comment—safeguarding, not just whilst these tariffs are here, in place by the Americans, but also after they're lifted.

Mr. David McHattie: Certainly, I think good trade requires good, strong rules. Even though we are good friends, having rules is very important. I think we'll see economic growth from having a USMCA, and that's good for most people in the industry.

The important resources that have been added to the CBSA will be one of the most fundamental changes we will see in the next couple of years as they come up to speed and are able to discipline those exporters that are exporting to Canada unfairly. As I said earlier, overcapacity is a critical challenge in the industry. There are many countries and many exporters that are seeking out wealthy and stable economies like Canada's as a market, and they exploit our market with unfairly traded goods.

Having resources at the border through CBSA is an important mechanism. They are already reinvestigating some of these exporters that have been found to be unfairly exporting to make sure that the normal values are effective and at the right level, because raw materials for steelmaking and steel costs around the world have gone up, yet the normal values for these steel products did not change. That gave them an opportunity to sell unfairly in the Canadian market.

To transition to what we need in the future, with the speed at which things change we need governments to react quickly. Fourteen months to negotiate this agreement is great. We've recognized the safeguard, and I believe we need to see that investigation as soon as possible. Every week that it's delayed it is costing our people in our communities.

● (1130)

Mr. Terry Sheehan: Kalyan, you started talking about the strategic innovation fund that was announced—to use your words—after Canada's swift response with the counter-tariffs, dollar for dollar. Could you please describe the SIF program in a little more detail, in the sense of what a steel company could use the $250-million specific carve-out to the steel industry for, and how it might strengthen you going forward for future years?

Mr. Kalyan Ghosh: We are applying to get some capex dollars, primarily to make our steel plant more efficient, more productive, and in the process, more sustainable in the future.

Mr. Terry Sheehan: Will that enable you to hire more people, potentially?

Mr. Kalyan Ghosh: No, it's not for hiring. It's basically for modernizing so that we can produce different grades of steel, which will be used for building the navy ships or bridges and other things, which at the moment are not made in Canada. We would be able to make it in the future.

Mr. Terry Sheehan: You made a comment about Trump lifting the tariffs. You can't count on what Trump says—it can change from day to day—but you did mention quotas. Please expand on how you think a quota system would work for Algoma. Then I'll go to David.

The Chair: This has to be one short answer.

Mr. Kalyan Ghosh: If we get into quotas, it is important that the government ensures the quota is distributed to each company product-wise, based on past exports to the U.S., and it is not given as a free-for-all. That will lead to.... Basically, whoever gets to the border first completes the quota. Yesterday I heard Brazil has a quota, which it didn't before. The ships were waiting for the quarter-end to go into the U.S.

This would not work for us because we have too many entry points to the U.S. There are too many suppliers. It would be chaos. The government has to institute and give quotas based on past performance, product-wise and company-wise.

The Chair: Thank you, sir.

We're going to move over to the NDP now. Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): Like many of you, I was really disappointed to see the USMCA come through without the permanent exemption of the steel and aluminum tariffs. This threat is still sitting there as a threat to people who work in your facilities, and really to supply chains across our country. It's a deep disappointment.

The government said that they would have the backs of Canadian steelworkers. What I can see is that they're moving very slowly on following through on that. Things are not happening quickly enough. Now we have this exemption, with an unknown future for everyone. What I'm experiencing down in southwestern Ontario—and I know some of my other colleagues in Ontario are as well—is that shops are closing. The small folks just can't weather this. I know that you're some of the larger players in the industry. We have those as well, who are trying their best to not lay people off and to make sure that they can see the benefit of their investments in what they want to do in the years to come.

This committee did a study very early on in 2015—I think it came out in 2017—on the Canadian steel industry's ability to compete internationally. The issues that you're facing are not new or unknown to this government, but the movement they've had has been so extremely slow.

One of the producers in my region said that in this last year alone, by Global Affairs' own numbers, some of the dumping has increased by up to 200%. That's 200% over the last year. Clearly, we're not doing everything we can to support you, to keep your industry strong, and to keep those jobs protected. For that I'm just shaking my head because there are things that you're saying today that we can do.

I think the safeguard measures are important. I just wanted to ask Mr. McHattie about the safeguard measures. Have you been speaking to the government about what you think those should look like? They aren't applied across the board, of course. Some were announced for energy, but certainly non-energy is still not captured in that. I have folks who want to see all of steel have the safeguard measures in place. I ask both of you if you've been involved in conversations around the safeguards, and what does the government need to do?

● (1135)

Mr. David McHattie: First I want to commend the government for taking the courage to study this, and also to be open. They had a very generous public consultation period that allowed buyers of steel —users of steel—to have their feedback as well.

I think being consultative is correct, but now that this process is over I believe it's the time to act. We've had interactions with the government and we expect.... We have no knowledge of any—

Ms. Tracey Ramsey: Have you had follow-up meetings since those consultations?

Mr. David McHattie: We've had follow-up meetings to clarify the positions that we have proposed in writing. It is now in the hands of the government as to if and when they will take action. We're hopeful that it's imminent, but as I said before, every week that goes by is troubling to us. I think the process they've used is commendable, and we look forward to a full investigation, where the facts will bear out.

Ms. Tracey Ramsey: In the USMCA were you at the table? Were you able to be a part of the conversations that were happening around the hope that this would be removed, and potentially offering the quota solutions that you spoke about? Were you able to convey that to the government during those negotiations?

Okay.

One of the government programs you applied for, which you were speaking to my colleague about, is that under the $2-billion umbrella?

Mr. Kalyan Ghosh: Yes.

Ms. Tracey Ramsey: Okay.

What I'm hearing down in my region, and we've heard it at this committee, is about the difficulty of being able to navigate that process and the timeline around it being very long. I recognize that you're larger players in this sector in Canada, but I wonder if you can describe a bit about navigating that process, and the time that you applied to where you're at now. I want to get an understanding of that.

Mr. Kalyan Ghosh: Are you asking me?

Ms. Tracey Ramsey: Yes.

Mr. Kalyan Ghosh: When it came out, we put in a letter of intent about three weeks back, and we were told that we can start applying. We are putting in an application and we hopefully should apply next week.

The Chair: You have about 20 seconds. If you want to get a quick question and quick answer in, we can do it.

Ms. Tracey Ramsey: I'd just like a response to that.

Have you applied for any of the $2 billion?

Mr. David McHattie: We have not applied. For us it's very important to have a strong and healthy market. I again commend the government on the work on Trans Mountain, in trying to get our resources to market. These are fundamentally important to us. Canada is the fourth-largest market for the products we make, yet our clients can't get their products to market. I think in the USMCA, the energy industry in general is happy, but they need to get their products to market.

I commend the committee on its support for the steel industry, but it's also important to the users of steel, and the energy sector is very important in that regard.

The Chair: Thank you.

We're going back to the Liberals.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

Thank you, all, this morning for your presentations. Your information is absolutely critical to all of us moving forward, not only as a government but certainly as Canadians and strengthening our economy.

I'm going to start my questions off with Ms. Coulter.

I represent New Brunswick Southwest, which is obviously in the east, and we have a number of steel fabricators. One of the things that I heard from a fabricator who likes to meet me at the airport when I'm coming back from Ottawa is that each fabrication plant is individually certified, so it's not that easy to obtain steel from another supplier. He gave me the example where they import the steel from the U.S., fabricate it and export it.

Could you tell me about your experience with that? Is that the case across the country? I'm trying to get a context for fabrication.

● (1140)

Ms. Leigh Coulter: I think that might be specific to his particular business. For us, because we manufacture building products, we have to have certain certification of our steel. The steel mill certifications we have to vet and do that. We do have certifications, but what we would need would not be the same as a fencing supply company or that. It's probably a little bit dependent on his particular industry.

Ms. Karen Ludwig: Okay. Thank you.

Looking at the countermeasures for tariffs, did you have an opportunity to speak with your MP or reach out in terms of services or options the government was looking to provide?

Ms. Leigh Coulter: I'm sure I had the opportunity. Our MP is Dean Allison, and he's very open. I've had many conversations with him, but honestly, I suffer from being an SME, which means that we are so busy working in our business that we often don't have the time to spend learning about these things. It definitely would be a big help to have better communication from the government to SMEs. Particularly, we use CFIB, we use CME, the Canadian Manufacturers & Exporters, and we get information that way. But it is hard, as a small business. We don't have the ability to have somebody full time looking at these things.

Ms. Karen Ludwig: Thank you for pointing that out as well. That's definitely something we've heard consistently across this committee in terms of government and services, and how we could better get that information to the SMEs that are so busy making payroll and doing what they do. Thank you.

My next question actually is to Mr. McHattie. Can you describe any measures undertaken by the government that have impacted your industry in terms of improving the trade remedy regime? Thank you.

Mr. David McHattie: These measures have now been in place for roughly nine months, and I might prefer to share it in writing. Specifically, though, there were increases to the CBSA resources. There have been adjustments to the way normal values can be calculated. For example, the use of a particular market situation was an important opportunity. Our trade law didn't include that explicitly, whereas others did. That helped us to get up to that.

Then there has been some transparency added to the system. In the past we felt like we didn't have the information we needed to prepare the CBSA and the CITT to take appropriate action, and now there is more transparency. There is reporting out of those that are subject to findings such as the amount they have had to pay every year in anti-dumping duties, as well as other aspects that really help us to help the government make sure the system is effective.

Ms. Karen Ludwig: Thank you. Did you say in your testimony that you were directly involved with the CME?

Mr. David McHattie: Yes. I'm vice-chair of the CME.

Ms. Karen Ludwig: That's what I thought you said.

Going back to Ms. Coulter's comment about being busy on a day-to-day level, how do we get more information to firms like Ms. Coulter's?

Mr. David McHattie: It's an extremely common challenge. That's where these business associations do such a good job by sharing out briefings. There is an economist on staff. There are people who can come out to sites in order to help with these things.

In particular, there are public consultations. The association sent out the forms to the members to try to help them navigate the system. It is tough, though. I completely understand. I've heard her story from many people. It's a challenge.

● (1145)

The Chair: Thank you, Ms. Ludwig.

That ends the first round. We have about 12 minutes, so I think we're going to three four-minute sessions.

We're going to begin with Mr. Fonseca, for four minutes. Go ahead.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair.

Let me commend our witnesses, both for your resilience in this climate we're in right now, as well as just for the jobs you create, the investments you make and the big risks you take. I heard from all of you, and my understanding was that you saw the new USMCA as a major step towards getting back to normalizing and bringing stability to the market, and now getting to work on eliminating these tariffs. I thank you for that.

You know, we have great projects ahead. We have a lot of infrastructure that needs to be built. We heard from Mr. McHattie about LNG. Just the announcement that's being made today is for a project worth $40 billion, which is tremendous for our country. There's the pipeline that we have to get built. Because of that, we need our steel and aluminum industry at their best. Also, on the USMCA and looking at trade, it was good to see that we had labour groups, contractors and big and small business, and everybody was onside for moving forward.

I would like to hear from you in terms of addressing the dumping of steel that we've heard so much about at this committee. What more can be done? What are some of the steps the government could take to address dumping? We know Canadians play by the rules. We're fair traders, and we want to ensure that everybody else is playing by those same rules and we have a level playing field.

I'll start with Mr. McHattie.

Mr. David McHattie: I'll try to be quite short, because the Steel Producers Association has an updated brief we could share. Again, we need more transparency and more speed, and it's a continuous challenge to make sure that the normal values are reflective of what they should be. If they become stale, those who have already been found to be dumping just fill in the holes. We've proposed some measures, but it would take almost 20 minutes to go into all the details. We would be happy to share our memo with the committee.

Mr. Peter Fonseca: Thank you so much.

Mr. Ghosh or Ms. Devoni, would either of you like to add to that?

Mr. Kalyan Ghosh: We are happy with what the government has done, but we need the safeguard and a resolution to section 232 as a tariff going away or having a product-wise, company-wise quota coming in immediately. That would be helpful.

Mr. Peter Fonseca: Mr. Ghosh, when you were speaking about the quotas and you brought up that example where you only have so much quota and you have to get it in so fast and how that would not work for us. We have a just-in-time and the way our supply chain is set up it would not be manageable.

What would you like to add to that? What would you like to put on the table that we can take to the business community, to our stakeholders, to our minister and the ministry, who would all like to hear from you about how that is just not manageable? I'm sure the people at the table would realize this as soon as they started looking at how our business works as an integrated supply chain.

Mr. Kalyan Ghosh: I can only say that quotas that are not company-wise and product-wise can work with countries that supply commodity products, or plain vanilla products, to the U.S. like South Korea, where the quantities are very small.

In the case of Canada, we have contracts, one-year contracts with auto companies in the U.S. You cannot suddenly in the month of September say your quota is over. You need to plan for the whole year. The company needs to know. The customer needs to know. You cannot have a free-for-all system. It has to be product-wise, and it has to be company-wise.

Mr. Peter Fonseca: We'll bring that back to our manufacturers so they know that.

The Chair: Thank you, Mr. Fonseca.

We're going to go to the Conservatives now. I think Mr. Albrecht is starting off.

You have the floor, sir.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Mr. Chair, and thanks for your welcome to the committee.

I am not a regular member of the committee, so I don't have the background of previous witnesses that my colleagues have. However, I have reached out to people in my local area, to the business community, the small and medium-sized enterprises there, and I actually had Mr. Allison come to my riding to conduct a round table.

One of the primary concerns that my SMEs have is with the lack of communication. They know about section 232, but they don't know anything about the exemptions. There's nowhere to find this information easily. Another person said there's no communication on what's going on with this big $2-billion announcement that was made to support the steel and aluminum industry. There was an announcement made in June. None of my SMEs, even after trying, were able to access this information.

If you've just said today that you've only begun to apply, it sounds to me like there's a big gap there. Mr. McHattie refers to the good communication that's gone on in dialogue and in trying to find a space, but I'm not sure that the same kind of dialogue has happened with our SMEs. I'm happy for the large employers, believe me, but I'm concerned that the SMEs, which are largely responsible for job creation in this country, are the ones that are really struggling right now. In fact, some of them are considering moving out of the jurisdiction, out of Canada, because there's less red tape and less complications in other areas.

I'm wondering if you could respond. Why, after three full months, are you only now starting to apply for this relief? If you're experiencing that time lag, how would an SME, which doesn't have the staff a large company has, be able to navigate that quagmire?

Ms. Coulter, you may want to respond to that as well from your perspective of the difficulties involved. In my area, I have not had one SME that has known anything about how to actually access the funding that's supposedly available.

● (1150)

Mr. Kalyan Ghosh: Of course, communication is a two-way process. It's not one way. To that extent, I cannot comment about the effectiveness of it. What I can say is that companies like us have been able to communicate well with the government.

Coming out in June and doing it in September when we did it, whether that's long or not, I cannot say. This is something on which I will not be able to comment. That being said, you're right that SMEs have not got.... I also heard the same thing, but I suppose, as the other witness was saying, that small companies may not have the wherewithal to communicate. Maybe that's the reason.

Mr. David McHattie: I would just like to point out that we should keep this in context. The process for remission from the retaliatory duties to the United States has been very simple and very straightforward. I know many people who have applied. The result isn't there yet, but it's completely different from in other jurisdictions. This one, I think, was well thought out and well done.

In terms of business association, I know that large companies are employing the suppliers—smaller companies—so if we're healthy, they are also going to be healthy. We help each other. I would say that, in general, where the steel industry has not been able to produce a product, we've helped small customers of steel with their submissions to obtain a remission. I think this process is working very well here, better than in many places, and I hope—

Mr. Harold Albrecht: I just wanted to have another opinion from Ms. Coulter.

The Chair: Your time is up, unless you want a very quick response.

Mr. Harold Albrecht: If she could....

Ms. Leigh Coulter: I'll very quickly respond, then.

I don't really think that it's totally the government's responsibility. As has been said before, it is a two-way process. In terms of communication, CME does an excellent job. If you have manufacturers that aren't part of CME, I'll give them a good plug there and suggest that they do that.

Quite frankly, the problem is that I might get the document, but I don't have the time to thoroughly look at it, or I scan it and I don't think it applies to me, so I don't spend the time digging in because there are better uses of my limited resources. I think that's more the problem.

Mr. Harold Albrecht: Thank you.

The Chair: Thank you.

We're going to go over to the Liberals for four minutes.

Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): I'm going to split my time with Mr. Dhaliwal.

I just have a quick question for anyone who might have an answer. If these section 232 tariffs were put on the auto industry, what effect would that have on your businesses?

Mr. Kalyan Ghosh: As I said, auto is big part of our total customer base. If the volumes of auto come down, it will affect us.

Canadian manufacturing has shrunk over the last 10 to 15 years, so that's not a question. Auto shrinking will have a really devastating effect on us. To that extent, I feel the USMCA, at least the expansion possibility that has come in, will definitely be helpful. Finally, I would say that section 232 tariffs in some form need to be solved because this can't continue too long.

● (1155)

Mr. David McHattie: The side letter on 232 provides roughly a 40% growth opportunity for Canada's auto industry, so if it were able to fill that in, it would be good for the steel industry.

Mr. Kyle Peterson: I think it's an opportunity. Magna International is in my riding, so I know they're excited about it too. We look forward to it.

Anyway, Mr. Dhaliwal, you have a couple of minutes.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you.

Harold, my friend on the other side, said that there were not enough consultations. However, it's my understanding that the government has well publicized all of these consultations—a lot of press releases, a lot of press conferences—to make sure that SMEs and the big manufacturers are all aware of the process and how to participate in the consultations.

I understand Ms. Coulter's position because she didn't have the time and resources to get into those.

Mr. McHattie, tell me if the government has enough of those consultations and also if it has an easy process to apply for the safeguards.

Mr. David McHattie: I don't know off the top of my head, but I think the number might be 166 responses to the public inquiry, which is a fairly large number. The provincial governments have been working with the federal government, and I know that in my province, the NDP government had their officials do briefings for CME members. There were many opportunities, and I think it has been a very co-operative endeavour between the provincial government, the federal government, the industry associations and a lot of very willing companies to try to share resources and help each other out.

Mr. Sukh Dhaliwal: Mr. Ghosh, you have shown an intent to apply for the help that the government is going to provide. Are you happy with the process so far?

Mr. Kalyan Ghosh: I'm happy with the process in terms of timing, yes.

Mr. Sukh Dhaliwal: Ms. Coulter, are you still thinking...? Maybe you didn't have time in the past but there's a due process that government has to follow to help SMEs like you, and we have received 1,200 submissions. I'm sorry that you were not one of those. Are you willing to put a request in now or a submission to the Minister of Finance to help SMEs like you?

Ms. Leigh Coulter: I'll definitely take a closer look at whether I can qualify for this. I think that, now that I have a better understanding that there are these funds, I have to learn a little bit about what they are and what they're for.

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you, Mr. Dhaliwal. You're right on time.

That wraps up our dialogue with the witnesses and ends this part of the meeting.

Do you have a comment, Mr. McHattie?

Mr. David McHattie: I would like to reiterate our thanks to all three parties and the provincial governments and federal government for working together to obtain a NAFTA solution, USMCA. I think if we can put those same resources together to obtain a full exclusion from the 232 and to make a safeguard that works for the steelmakers and the steel buyers, the Canadian economy and all of our people will be better off.

Thank you to all three parties for your work on this.

The Chair: Thank you.

Thank you, witnesses, for coming with your busy schedules with your businesses and all the people who work for you or you represent. These are challenging times. Thank you again for coming.

We're going to have more witnesses over the next few weeks, and government officials will also be coming in.

MPs, don't go away too far. We're going to suspend for one minute, and then we're going in camera about some future business.

[*Proceedings continue in camera*]

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